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TAGS: [MTCRE](#) [ETTC](#) [KSCA](#) [MNUC](#) [PARM](#) [TSPA](#) [FR](#) [BR](#)  
SUBJECT: MISSILE TECHNOLOGY CONTROL REGIME (MTCR): CHINA'S  
BALLISTIC MISSILE-RELATED EXPORT CONTROL RECORD

Classified By: ISN/MTR Acting Director Ralph Palmiero.  
Reasons: 1.4 (B), (D), (H).

[1](#)1. (U) This is an action request. Please see paragraph 2.

[1](#)2. (C) ACTION REQUEST: Department requests Embassy Paris provide the interagency cleared paper "China's Ballistic Missile-Related Export Control Record" in paragraph 3 below to the French Missile Technology Control Regime (MTCR) Point of Contact (POC) for distribution to all Partners. Info addressees also may provide to host government officials as appropriate. In delivering paper, posts should indicate that the U.S. is sharing this paper as part of our preparation for the Information Exchange that will be held in conjunction with the MTCR Plenary in Rio, November 9-13, [1](#)2009.  
NOTE: Additional IE papers will be provided via septels.  
END NOTE.

[1](#)3. BEGIN TEXT OF PAPER:

(SECRET REL MTCR)  
China's Ballistic Missile-Related Export Control Record

#### Introduction

Since the 2008 Missile Technology Control Regime (MTCR) Plenary, Chinese firms have continued to provide MTCR-controlled and non-Annex items to ballistic missile programs in countries of concern, demonstrating continued weaknesses in Beijing's export control enforcement efforts. These weaknesses probably stem from a number of factors, including China's reliance on foreign-provided information (rather than through its own preventive enforcement efforts) to prompt proliferation-related investigations, its failure to know their customers, its reluctance to enforce its catch-all controls, and its insufficient efforts to penalize firms involved in ballistic missile-related sales. This, in turn, reflects a lack of political will by Chinese authorities, some of whom probably continue to view ballistic missile-related transfers as less of a priority than nuclear-, chemical-, or biological-weapon-related transfers.

Chinese Firms Continue to Evade Restrictions

Chinese firms over the past year have offered or sold MTCR-controlled and non-Annex items to ballistic missile-related entities in foreign countries, including Iran, Pakistan, and Syria. In some cases, sales have continued despite extensive information provided by the U.S. to Chinese authorities outlining our concerns about these firms' activities.

Chinese authorities and firms fail to conduct sufficient evaluations of missile-applicable transactions, or to take steps to know their customers. Other firms that are aware of the vulnerabilities in China's export control system take steps to conceal sensitive transactions and avoid detection, including by adopting new names and falsifying shipping documentation. Additionally, some firms may take advantage of government connections to skirt Chinese regulations.

Recent activities of concern include the following:

The Chinese firm LIMMT continues to sell MTCR-controlled and non-Annex items to Iran's missile programs.

Chinese firms continue to sell items with ballistic missile applications to a Syrian ballistic missile entity.

China-based Shanghai Technical By-Products International Corporation continues to work with Iranian ballistic missile entities to provide items with ballistic missile applications.

Chinese firms continue to sell equipment to Pakistan's ballistic missile entities.

Chinese firms also have continued to market short-range ballistic missiles, including the B611M, P12, and SY400, at domestic and international arms shows. Although these systems have range and payload capabilities that fall below MTCR Category I thresholds, we remain concerned that the sale of these systems could destabilize sensitive regions, facilitate WMD development, and potentially advance a new customer's domestic research and development (R&D) and production capabilities.

The B611M is marketed as a 260-km-range system that carries a 480-kg warhead, uses a dual launcher, and is capable of achieving an accuracy of 50 meters.

The P12 is marketed as a 150-km-range system that carries a 450 kg warhead, uses a dual launcher, and is capable of achieving an accuracy of 30-50 meters.

The SY400 is marketed as a 150-200-km-range system that carries a 200-300 kg warhead, uses a launcher that carries eight missiles, and is capable of achieving an accuracy of 50 meters.

#### Continued Enforcement Shortfalls

As we noted in 2008, a number of factors have hindered Beijing's export control enforcement efforts. These include: a reliance on foreign tips

(rather than its own enforcement efforts) to spur action in stopping exports of concern, a reluctance to invoke catch-all controls to prevent a proliferant transfer, lax expectations regarding a firm's responsibility to know its end-user, and insufficient efforts to penalize firms involved in ballistic missile-related sales. As demonstrated by the examples in the next section, we have seen little evidence over the past year that these issues have been addressed.

We frequently share with the Chinese government information related to cases of missile proliferation concern in order to get Beijing to investigate and/or stop the activity. Occasionally, Chinese authorities will request additional information about the entities or goods involved in a specific transaction, and the U.S. consistently responds to these requests. More often, however, they simply note the demarche and indicate that it will be referred to the proper authorities. Moreover, Chinese officials provide only limited feedback on these cases and the status of their investigations, claiming on one occasion earlier this year that "China's business is its own business."

And even in those cases where China does provide updates, Chinese enforcement action appears spotty at best. For example, in one case we have been discussing with Beijing over the course of several years, Chinese officials assured us that the government had closed down a company involved in ballistic-missile related sales and barred it from exporting. Despite these assurances, however, we continue to see that same company engage in proliferant behavior.

In another case involving a Chinese entity that has been routinely engaged in transactions of missile-related items, we encouraged China to enforce its catch-all controls. Chinese officials responded that catch-all controls "are not meant to catch everything," and did not provide any additional information on how or if it utilizes catch-all controls.

The weaknesses in China's enforcement regime indicate a continued lack of political will by Chinese authorities. Some Chinese officials probably continue to view ballistic missile-related transfers as less of a priority than nuclear-, chemical-, or biological-weapon-related transfers. Other officials clearly remain reluctant to use China's catch-all controls to prevent the transfer of non-Annex items, even in cases where the item has a clear ballistic missile application and evidence shows that the end-user is a ballistic missile-associated entity.

#### US Government Sanctions Applied

This lack of political will is demonstrated in the recent case of two proliferating Chinese entities. Effective February 2, 2009, the United States levied sanctions against two Chinese entities for their supply of MTCR-controlled items to Iran's

ballistic missile program. Pursuant to these sanctions, all new individual U.S. export licenses for MTCR Annex items to the sanctioned entities and all new U.S. government contracts relating to MTCR Annex items with the sanctioned entities will be denied for a two year period. An additional sanction in this case bans all imports into the U.S. of products produced by the sanctioned entity for two years.

These penalties were levied following repeated discussions with Chinese authorities about these companies' proliferation activities and the need for Beijing to take steps to end their missile supply efforts, which China did not take. The two entities sanctioned/designated were:

Dalian Sunny Industries/LIMMT: LIMMT supplied or attempted to supply Iran's military and missile organizations with items including graphite, tungsten, gyroscopes, and accelerometers;

Bellamax: Bellamax supplied or attempted to supply Iran's military or missile organizations with items including steel alloys, gyroscopes, and ball bearings.

#### Outlook

Until China addresses the persistent shortfalls in its export control enforcement, ballistic missile programs in countries of concern probably will continue to seek and receive MTCR-controlled and non-Annex items from Chinese firms.

China probably will be more inclined to be responsive in cases where a foreign government provides detailed tipoff information and where China assesses that the transfer in question involves an item explicitly listed on its export control list.

Self-initiated efforts by Beijing to stop shipments (without the aid of foreign information provided via demarche), more rigorous implementation of its catch-all provisions, and the consistent imposition and public announcement of penalties against entities found guilty of export control violations will all be signs that Beijing is taking steps to further improve its export control enforcement.

END TEXT OF PAPER.

14. (U) Please slug any reporting on this or other MTCR issues for ISN/MTR.  
A word version of this document will be posted at [www.state.sgov.gov/demarche](http://www.state.sgov.gov/demarche).  
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